

PUBLIC AFFAIRS STAFF

Deputy Director Frank Carlucci

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DEPUTY DIRECTOR FRANK CARLUCCI: Thank you very much, Hayden, Jay, members of the committee and guests. It's a pleasure for my wife Marcia and I to be with you tonight. I hope you will bear with me if I speak rather slowly since I've got a touch of laryngitis. I told my wife she could finish my speech if I conk out.

Hayden has told some stories, a story about my past. Let me tell you one about my early days in Zaire, then the Congo, shortly after Independence. We had a visit of three American senators, named Gore, Hart and Neuberger. And as a young Foreign Service officer, I was assigned escort duty. I had arranged for the President of the Congolese Senate to invite them to his home for lunch. And in those days, at least, you very seldom saw a Congolese wife.

But as we came to the door, he came out, and he had a woman by his side. So I introduced her as his wife. We were in having cocktails before lunch. I was doing the interpreting. Another woman came in, shook hands all the way around, went over and sat down next to the first woman. Senator Gore turned to me and said "Who's she?" I said "I don't know. Maybe she's his wife." He said "I thought you introduced that other woman as his wife." "Well, I don't know. Let me ask."

And to that he replied, "Yes, both of them are my wives." So the interest of the American senators picked up considerably. And the President of the Congolese Senate said Now, now, you must understand. Here in the Congo, our customs are very different from yours. For example, where I come from in the Leopoldville district of the Congo, I'm a big tribal chief. And as a tribal chief, I would normally be entitled to five or six wives. But since I'm a Catholic, I have only two."

[Laughter.]

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I have chosen as the context of my comments tonight intelligence effectiveness in a free society. And if you reflect for a minute, you will recall that it's just about a year since tanks crossed the border into Afghanistan, a virtually defenseless country. The Soviets took it; they show every intention of staying.

It's been over a year since a former ally, Iran, erupted in a social revolution and took 52 of our diplomats hostage. As we sit here tonight, two countries on the shores of the Persian Gulf, Iraq and Iran, are engaged in open warfare. The United States does not have diplomatic relations with either. The leaders of both detest the United States. Those of you down here in Arizona are obviously very conscious of the efforts that Castro is making on targets of opportunity in Central America at the same time that he continues to serve as a surrogate of the Soviets in Africa.

Poland is caught up in a revolution of rising worker expectations that could threaten the very solidarity of the Soviet grip on Eastern Europe. And the Soviet Union itself, after having poured approximately twice as much of its gross national product into defense the past ten or twelve years as we have, has reached an era of approximate parity. At the same time, its economic growth rate is slowing down, its oil production has dropped. And it is facing internal problems, not the least of which will be a leadership transition to a new leadership that we, despite all our efforts know very little about. Nobody can really tell what the post Stalin generation of Soviet leaders will be like.

Through it all, Western Europe vacillates and waits to see which way the U. S. goes. The American people, looking at these problems, have concluded that more effort has to be put into our national security, more effort into defense. Those who understand defense also know that all the armor in the world isn't any good unless you have intelligence on the enemy. The lessons of Pearl Harbor are etched indelibly on the American psyche.

So the question people are beginning to ask is whether our intelligence is effective. I welcome that debate. I think it's high time that we changed the focus of the debate from the question of intelligence abuse -- not that that wasn't a problem that should have been dealt with; but it has been dealt with -- and began to look at the question of our intelligence strength. Are we going to be able to cope with the very substantial problems of the '80s that are foreshadowed by some of the events I've just described.

My answer -- and perhaps I'm biased -- is that I think we can. We have a number of dedicated people in the intelligence business. But there're also some things that we the American people and their government are going to have to do if our

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intelligence is to keep pace with the challenges ahead. And I hope to be able to lay a few of these out for you.

First of all, what are the characteristics of good intelligence? Professionals in the business tell the story of two men trapped on a desert island. A helicopter flew over, came down low. The pilot leaned out and shouted "You're lost." With that, the helicopter ascended and disappeared over the horizon. And one man turned to the other and said "That pilot was an intelligence officer." The second man said "Well, how did you know?" "Two reasons. First of all, his information was dead on, and, secondly, it was totally useless."

[Laughter.]

Well, the first requirement of good intelligence is that it has to be relevant. And I think it's illuminating to note that one of the first things that President-elect Reagan is going to do in Washington is receive two intelligence briefings, because policy-making is only as good as the facts on which it is based. And good intelligence doesn't mean running in with information on the latest coup or the latest foreign development. It means pulling together all the information and putting it in its proper context. It means discerning trends. It means helping the policy-makers decide what the shape of the world might be two, three, four years from now.

Intelligence accuracy depends on two things: good collection and good analysis. And contrary to the popular image, CIA headquarters at Langley represents less a spy factory, whatever that would look like, than it does a small university. There're a lot of people with advanced degrees doing research, analyzing, writing vast numbers of papers. Much of their material is public sources.

And the legal function is absolutely critical, because reams and reams of information flow in from intelligence organizations. And if the policy-maker would jump off on the basis of one report, he would be frequently mistaken in making a decision.

So we have tried over the course of the past three years to put emphasis on the quality of analysis, to bring in good people from all different professions. We have psychologists who look at foreign leaders. We have engineers who look at telemetry. We have agronomists who look at crops. And of course, we have economists.

On the collection side, there're essentially two means of collecting intelligence. One we call the technical systems, represented by and large by our satellites and highly sensitive technical collection systems. The press enjoys speculating on the marvels of these secrets. And indeed, they are impressive.

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But by and large, they can only tell you what happened yesterday or what may be happening today, if you're lucky. They really can't tell you what's on the minds of foreign leaders. That can only be determined through what we call human intelligence. And I'd like to devote the rest of my comments tonight here talking about human intelligence, what it is, because I think it's very badly misunderstood.

CIA people are not James Bonds running around the world. Nor are they really people who are stationed in other countries simply to pick up all the information they can. They are people who are sent to a country with a very specific purpose. They are what we call [words inaudible] these kinds of sources of information.

And the key to the intelligence business is what we call the takeoffs. And his function really isn't very different than the function that many of you have in the business world. If you want a product, you go out and purchase it. The product in this case is information, a certain type of information. He looks around, tries to assess what the sources of this information might be. He develops a relationship. And that in many cases includes a contract with that particular source of information. And not infrequently that contract doesn't involve money. Many people provide the information for ideological or other reasons. In some instances it does involve money. In many cases people want money put away in other countries if they have to leave their own country.

There are, of course, some unique aspects to that contract. One is that in many, if not most of the cases the individual supplying this information is breaking the laws of his own country. And the second is that the contract, by necessity, must be secret. No one is going to risk his career, in some cases his life, his life and the lives of his family, if he doesn't think the information he's providing is going to be kept confidential. So secrecy is all important in intelligence.

There are those who decry secrecy in our society today and say it's un-American, that you should be able to run the intelligence business more in the open, that any time you claim national security, it's some kind of a cover-up. Well, I can assure you as a nonprofessional -- I've been in the intelligence business now for a few years -- that it is a very serious matter. I have seen agents compromised by seemingly innocuous statements in newspaper articles, or seemingly innocuous statements by political figures. "How can that statement possibly hurt?" What they don't understand is that the adversary, the counterintelligence services of the adversary may have everything but the final piece, and that little bit of information will be enough to compromise an agent.

Now we can't say anything about it. When an agent is

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compromised, you very seldom know what's happened. He just disappears or he breaks off contact. We can't say to a journalist "You compromised an agent," because that would be confirmation.

So secrecy is very important to the successful conduct of the intelligence business. And it's not that alien in our society. We have secret relationships -- the lawyer-client relationship, the grand jury, bank accounts. There're all kinds of secret relationships. Indeed, journalists themselves, who like revealing intelligence secrets, are the most adamant in protecting their own sources, for the very same reason: they don't want to lose their sources. There is one difference. If their source is compromised, they lose a source. If ours is compromised, there's very frequently a life involved.

It is also possible to have secrecy in an intelligence organization and still protect civil liberties, still have an oversight function. We are accountable in writing to the President as an elected officials. And we are accountable to something called an Intelligence Oversight Board, consisting of three distinguished Americans, which reports directly to the President. Anybody, anybody in this room, anybody in the CIA, who knows of any wrongdoing can go in confidence to the board. Their comments are thoroughly investigated.

We report to two oversight committees on the Hill, one of which will be chaired will by one of your own senators, who do a very thorough job of going into all of our activities. And they do it in confidence. They do it in behalf of the American public.

And that is a far more effective way of exercise oversight than attempting to make an intelligence organization subject to the Freedom of Information Act, in many respects a contradiction in terms. We in the CIA receive some 4000 Freedom of Information requests a year. Each one costs the taxpayer, on the average, about \$800.00. They come, by and large, from a small group, not from the general public. They can be identified as chronic CIA critics. Some come on form letters. They also come from foreigners. We had a lawsuit the other day involving one from a supporter of the Ayatollah Khomeini. We had one the other day from the Polish Embassy. Indeed, if the Soviet secret police were to write us asking for information, we would be obliged under the law to respond within ten days.

That kind of process for an intelligence business doesn't make a lot of sense. Sure, we can say no on national security grounds. We've gone to a lot of work. There's a chance of error. What we do can be reviewed by a judge. And finally, we can't go beyond the request, so we don't know what other pieces of the puzzle the requester may hold. Perhaps most important, the Freedom of Information Act stands as a symbol around the world for

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a well-known fact: the American government today is unable to keep a secret.

And I submit that if we are going to keep an effective intelligence organization, we have to learn to keep a secret.

There is another activity that's extremely damaging to an effective intelligence operation. On Dupont Circle in Washington, not far away from our Capitol, there's a small group of people putting out a bulletin called Covert Action Information Bulletin, dedicated exclusively to reviewing the names of CIA people, our people and their agents overseas.

Now a CIA man named in a newspaper overseas is a CIA man rendered ineffective. No agent wants to communicate with a CIA man whose name is on the front page of a newspaper. And yet despite the fact there're various laws in our government preventing us from giving out banking information, information on commodity futures, there is no law on the books which makes it a crime to give out the names of CIA personnel. We've asked the Congress for help on this. We've gotten a bill out of three committees, two on the House floor this Thursday. People have raised questions of the First Amendment. But we have framed the bill in a way that First Amendment rights are not abridged. The Justice Department has told us the bill is fully constitutional. And I am hopeful that even the lame duck session of Congress will enable us to deal with this critical issue.

A word about covert action. When people talk about covert action, the thing that immediately leaps to mind is Chile. And because of Chile, a lot of people have wanted to kill the instrument because they didn't like the product. The fact is that everybody acknowledges that our government ought to try and influence events in other countries. In some cases it is not feasible to do that openly. Every country in the world has a covert action capability. In many cases, we have, and can continue to use, covert action in the interests of creating democratic structures, not tearing them down.

One shouldn't take one example and draw a straight line and extrapolate from it. What is needed, once again, is a surrogate process, an oversight process. We now have that process. The Congress has decided to cut down the number of committees that we report covert action to from eight to two. And I am confident that there is a responsible mechanism in place to enable the U. S. government to have some tool, as one of my predecessors said, somewhere between a diplomatic demarche and sending in the Marines.

Let me close these remarks on a note of concern that's more general than the CIA. I have been worried about what I would call the question of experts in government in the 1980s. Any governmental organization is only as good as its people. I was

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startled the other day when our director of Personnel told me that the CIA had lost 58% of its senior staff. This is happening in other departments. Attrition at CIA is a lot less than it is in other departments. We are still managing to get good recruits. But there is a serious problem, though, in government in Washington. Part of it is related to salary. How could you run your firm, if you're in business, if everybody from middle level management up to the vice president level made the same salary and hadn't received an increase in four or five years? Or if government were constantly -- or if they were constantly criticized in the press as being inefficient, disinterested, it could become a self-fulfilling prophecy. Or if you were so surrounded by regulations and oversight inspectors that there was no premium, very little premium on getting the job done.

Now oversight inspectors, as I've said, are important. But the approach that people seem to be taking toward government now is one of catching wrongdoers, eliminating waste, rather than getting the mission done. We've got to get back to the point where the person gets the mission done also. Or, finally, if you have a retirement system where one's vesting goes up faster if he retires than if he stays in. It's very difficult under those circumstances to keep your senior management people. I would suggest that the new people coming into Washington take a serious look at that point government-wide.

How do we stand as an intelligence organization vis-a-vis our adversary? Oh, the KGB probably outnumbers us maybe four to one. It certainly puts in far more resources in the intelligence business than we do. We're ahead of them technically. I think we've got better people. And we don't have the ideological problems that they have. It's not hard in the United States for the intelligence organization to deliver bad news to the President. It's a damn sight harder to deliver it in the Kremlin.

I think we can stay ahead. As I've said, we have some very dedicated people. We have a lot of interest in good intelligence in the Congress these days. And I am confident that if we can have the support of groups such as yourselves, we can deal with some of the problems that I have described, and that our Central Intelligence Agency will continue to be the finest intelligence organization in the world.

Thank you very much.

[Applause, followed by Q&A.]

Q: ...And is it true, what the critics allege, that it may take anywhere from ten years to perhaps 60 years to re-establish a normal and competent organization?

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DEPUTY DIRECTOR CARLUCCI: We try to bring people in at the entry level, college graduates. About 33% of them have advanced degrees that are coming in now. We put them through a training course of about a year. They then go on the job. And like any organization, we have mid career training courses. We send people to universities. And then we have senior training courses for some of our people; the National War College, for example, Harvard Business School, various other institutions. So training is a continuous process.

But certainly we have a lot invested in a man when he reaches the age of 50. And the average retirement age in the agency is somewhere in the neighborhood of 53, which I personally think is very early. I think we're losing a lot of valuable talent when people are retiring that early, which is why I say we have to address incentives for the top managers.

You asked how long will it take to establish a competent organization. I would argue, sir, that we have a competent organization. All the indicators that I have seen, and I can't make them public, are that we're doing better than we have ever. The real question is how much better could we do if we solved some of the problems I addressed. And it's really not a question of unleashing the CIA, as the journalists like to say. We don't want to be unleashed. We're perfectly happy with oversight. What we want are the tools of our trade back. And the basic tool of our trade is secrecy.

My own judgment is if we can in this or the next Congress deal with the problems of the Freedom of Information Act, deal with the problem of the people who reveal the names of our people and our agents overseas, we will have done a great deal to enhance the credibility of the CIA around the world and greatly improved our effectiveness.

There's one more thing, too, that has to happen, and I think that will happen, and that is that we have to change the atmosphere within Washington where the word "national security" is no longer a credible term, where people take serious intelligence information, where it isn't spread all over Washington, where everything isn't leaked to the newspapers, and where people understand that they have a higher responsibility and that responsibility is to maintain the integrity of the classification system. If we do that, you've got the people in the CIA that can help that organization and make that organization take a quantum leap forward.

Q: Mr. Ambassador, I think most of us are interested in a strong CIA. And many of us are aware of cases where covert agents had very thin, almost transparent cover.

My question is if a relatively small office on Dupont

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Circle can uncover an agent, what good is he? You know, they're no better than counterintelligence in Djakarta or Rangoon, or someplace like that.

DEPUTY DIRECTOR CARLUCCI: Well, there's no question that the KGB, for example, is able to put its people under better cover than we can, although we are making improvements in cover. And I can't discuss those for obvious reasons.

But I think the professionals in this room will tell you that there's always a trade-off between operations and cover. You can be under the best cover in the world for over a 30 year career, if you're a successful operator, you're going to leave a trail and eventually you're going to be uncovered. It doesn't mean that we shouldn't make the effort.

There's also a distinction between whether a good counterintelligence service discovers you and whether your name is on the front pages of newspapers. For its own reason, if the KGB is aware of the identity of one of our people, it probably is not going to publish that. But if in Kingston, Jamaica the names of alleged CIA people are spread over the front pages of a newspaper, it can render those people ineffective in the local environment and, as it did in Kingston, result in attempts at violence against them.

So we need to do both things. We need to maintain the best cover we can, but, at the same time, we need to have a statute to make it illegal for these people to engage in this kind of misguided activity, which has no public merit whatsoever. I have not seen anyone justify it in any way. It doesn't help the oversight function. It doesn't add to the public knowledge. The bill, as we framed it, would not catch legitimate journalists who want to criticize the CIA, who want to write a story where they may mention the name of a CIA agent. The people we're after are the people who engage in the pattern and practice of revealing the names of CIA people for the deliberate purpose of impeding our operations.

So I think the answer to your question is we have to do both.

Q: It's often assumed, at least west of the falls of the Potomac, that the sudden overthrow of the Shah was largely unexpected by Washington. And it's further assumed that this represents an intelligence failure.

Would you be willing to discuss the accuracy of this and whether we have any reason to assume that the same thing would not occur in Saudi Arabia or Kuwait or the United Arab Emirates?

DEPUTY DIRECTOR CARLUCCI: Well, in the intelligence business, as I've said, your failures are always trumpeted, and

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your successes, by definition, should not to be mentioned. And it really depends on what your definition of failure is.

I think it is fair to say that we in the CIA did not predict the dimensions of the upheaval in Iran. I don't know of any intelligence service anywhere in the world that did. Nor, contrary to what I've read in the press, did we hear from any academics who were predicting the dimensions of the upheaval in Iran. We did accompany the erosion of the Shah's authority quite closely. We did indicate that he was on very weak ground, oh, six or eight months before he fell. But the obvious answer to your question is certainly we could have done better, and we tried to profit by the lesson learned. I myself participated with the Undersecretary of State and Dr. Brzezinski's deputy on a group that took a look at broad reporting around the world to make sure that we were doing enough in the social area and in the religious areas, students areas, the labor union area. And that's not just the CIA. It's the CIA, State Department, all government agencies overseas.

You also have a problem that is a very difficult one to answer in countries like Iran, where you've got rulers who are paranoid about contact with the opposition and you've got a substantial investment in that country. And if you have too much contact with the opposition, you put that investment at risk. How much are you willing to put it at risk? The answer is you probably ought to put it in risk more than we have. It's a balance that you have to strike with each country, and it has to be done in collaboration with the ambassador.

I can't give you a categorical guarantee that we can predict all the social upheavals in the world. I can tell you that we have a new office to deal with this kind of problem, that we're bringing on board the best talent that we have, that we've reconfigured the reporting around the world, and that we will do our best.

Q: [Question Inaudible.]

DEPUTY DIRECTOR CARLUCCI: So would the KGB like to know, which is the reason we don't give that out. We try not to give information to our adversaries that would give them insights into our operations. The Congress considered the question of revealing the single figure for the total CIA budget and decided against it.

I can't comment on individual instances. But let me say this. If the CIA were half as powerful as the world thinks it is, it would indeed be an enormous organization. There are accusations made every day about the CIA. The communist propaganda machine grinds them out. When I was in Portugal, long before I had anything to do with the CIA, as a career Foreign

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Service officer, nothing to do with the CIA, the Portuguese Communist Party put out a book on me that thick called "Dossier Carlucci, CIA," which was filled with lies.

Obviously it's in the interest of the Soviets, particularly in Third World countries, to blame every conceived ill on the CIA, trying to stir up these countries against us. That's something that we have to live with.

That the CIA is meddling -- I don't really know what you mean by meddling. If you mean by that covert action, every covert action must now, due to an executive order, go through the National Security Council, be considered by the secretaries of State, Defense, Director of OMB and the Assistant to the President for National Security Affairs. Then it goes to the President of the United States, who must make a finding, in writing, and that finding, up until a month ago, was briefed to eight different committees of Congress. That's over 200 members of Congress. And I myself did most of the briefing, so I can tell you it's an exhaustive process. We're now down to two committees. That means that all of those people, responsible officials, have decided on that "meddling."

So I submit to you that in most cases it is not meddling, that there are things that are being done that are genuinely in the national interest, and they are being done in support of overall U. S. policy. And the accusations that are made around the world are greatly exaggerated.

Q: [Inaudible.]

DEPUTY DIRECTOR CARLUCCI: Judge, we have a Supreme Court decision in the Snepp case, Frank Snepp, a former CIA officer who wrote a book on Vietnam, who breached his contract. Everyone coming into the CIA signs a contract with us that enables us to review the book, and we can ask that sensitive information be deleted. Snepp deliberately refused to submit his book. We took him to court, and the Supreme Court ruled in our favor.

The books are now being submitted to the CIA. What we have to seek if they violate their agreement, of course, is a civil judgment. It's not a criminal offense. In the case of....

Q: Well, I mean with these bills, would they be criminal then?

DEPUTY DIRECTOR CARLUCCI: Our bill would make it a criminal offense to reveal the names of CIA personnel and their agents. It would only encompass revealing the names of CIA personnel and their agents. It would not encompass other CIA information. In other words, it's a narrowly drawn bill,

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and it really wouldn't affect the books that are being written. The books that are being written come under a civil contract.

Q: Mr. Ambassador, if the CIA were to preclude covert activity, any covert activity, would it survive as a viable, useful organization?

DEPUTY DIRECTOR CARLUCCI: Oh, it would survive as an intelligence collection organization. And mind you, covert action activities are very seldom inspired by the CIA. In almost every case, they are carried out by the CIA after having been inspired by other branches of government -- State Department, Defense Department -- and, as I have indicated, personally approved by the President. So these are really presidential foreign policy activities.

What it is is a foreign policy activity carried out in clandestine manner. Now people don't have any problem generally with trying to influence events in other governments, and they don't have any problem with an intelligence organization operating clandestinely. But somehow when you put the two together, they think it's immoral. That is to say, it's perfectly moral to steal secrets clandestinely, but it's not moral clandestinely to give money to a democratic party, for example, in a particular country.

I frankly have difficulty understanding that distinction. I think what we have to look at is the surrogate process that I described to make certain that covert action activities are approved by responsible officials and that they're consistent with U. S. foreign policy.

Q: I think that maybe an example, a good example of that is that I believe that I'm correct in saying that in the case of Chile that what we were doing by way of covert action is we were trying to support the opposition until such time as there was an election when the opposition would be strong enough to defeat Allende. I think it's totally incorrect to say that the CIA had any part in the military, trade unions, whatever it was, jumping the gun and forcing the issue with Allende.

DEPUTY DIRECTOR CARLUCCI: I'm not an expert on Chile. I wasn't around at the time. But that's what I've read....

MAN: I think you're right, Hayden. I think the CIA basically took a bum rap on Chile.

Q: Well, I think the point that I'm trying to get across is that the CIA was working strictly in accordance with what was in the best interests of our foreign policy, which was eventually, in due course of time, to defeat Allende. And that's as far as we went. We were not involved in precipitating a crisis.

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DEPUTY DIRECTOR CARLUCCI: There are -- quite frankly, there're a number of covert actions that have been carried out that, were I at liberty to make them public, you would be quite proud of.

Q: Mr. Ambassador, in mentioning your two divisions of intelligence gathering, technical and human, you commented on the fact that the human has the responsibility to look into the mind, which leads to this question. How much do you feel is the responsibility of the intelligence agency to say what the intentions of the enemy are, or policies are, and how much of that is the responsibility of the policy-makers?

DEPUTY DIRECTOR CARLUCCI: Well, I think it's basically an intelligence responsibility. We give the policy-maker our best assessment on what the adversary's intentions are. It is then up to him to make decisions on U. S. policy.

We have on occasion, but only when requested, provided the policy-maker with policy options. But we steadfastly refuse to provide policy recommendations. We think it's important to maintain the integrity of the intelligence process and to keep that separate from policy, so that we don't become the handmaiden of policy. We have to be able to call the shots as we see them.

Q: Ambassador Carlucci, I'd like you, if you could, to tell us a little bit about your experience in Portugal, because you were there at a very critical period. And we hear a lot about failures of foreign policy and failure of our representatives. This was an extremely critical period, and evidently we made some right decisions during that period that have continued to serve Portugal well, and it's continuing with relative stability today.

DEPUTY DIRECTOR CARLUCCI: Well, the credit in Portugal is basically due to two things, the nature of the Portuguese people themselves and the fact that the communists overplayed their hand. It's a rather complicated story. The communists badly misjudged the Portuguese people, who are a deeply conservative, religious people. The communists allowed themselves to get into the position of attacking the Church, which was a mistake. And they went too far too fast, and the Portuguese people reacted.

We also had the advantage, of course, of geographically and of association with NATO and economic association with Portugal.

The U. S. played a role in being sympathetic with the democratic forces, which we quietly supported, providing aid at the appropriate moment, in two ways: economic aid, because the backbone of the country, the economic backbone of the country had been broken by the communists, deliberately broken, and

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military aid to try and reintegrate them to NATO.

With that small assistance, coupled with the assistance that the Europeans provided, the Portuguese people were able to take it from there, and they've done a rather remarkable job. I know of no country that in the course of two years overthrew a forty year dictatorship, went to the brink of communism, drew back, and installed a functioning democratic system. And I think the Portuguese deserve a lot of credit.

Q: What is the CIA's assessment of the United States' position in the world, economically and militarily? How do we see ourselves? [Words inaudible.] Are we?

DEPUTY DIRECTOR CARLUCCI: No, by no means. We're not a second-rate power at all.

The Soviet Union has, more or less, attained strategic parity with us. But those of you who are military men know that there're a lot of factors that go into that kind of an equation, and you can't make absolute judgments.

But economically, far and away we're the most powerful country in the world. We have the greatest potential. We have sufficient armed forces, although I, for one, would advocate strengthening our armed forces.

I do think, though, that the world has come to question our resolve in the wake of Watergate and Vietnam, that we have been far too long working ourselves out of the Vietnam/Watergate complex. It's particularly true in the Middle East, but we hear it everywhere we go. People say "When are you going to stand up and act like the big power that you are?"

I think it's probably -- I don't want to make judgments on what's going to happen in our policy in the near future, but I think there is a genuine hopefulness around the world that we have put these events behind us and we'll begin to assert ourselves more.

Q: I have a question that maybe you can help with. Both you in your remarks here this evening and Case Channing in his introductory remarks commented on the importance of intelligence in formulation of foreign policy.

Could you tell us just a little bit more about the interaction between those two components? How is the intelligence information communicated so that it can be implemented in a wise foreign policy way?

DEPUTY DIRECTOR CARLUCCI: We have a structured process where once a year we sit down with the key foreign policy

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makers to try and ascertain their priorities. What are the key questions we're going to be addressing? What are the areas of the world in which you're interested? And then we rank these areas of the world, these issues and questions, and put numbers alongside them. And they are translated into collection priorities for our people in the field.

The information comes back into what we call a Directorate of Operations. It then moves over toward the analytical side of the house, where it's collated, analyzed -- computer intensive, in that area. And then we produce what we call the finished product, which in many cases is an interagency product. There're two types. One's interagency, and one's the CIA, which is then delivered to the policy-maker in various forms, depending on its classification. There's one that goes every day to the President and just a few of top officials. There're others that get broader distribution. There are then in-depth studies that are done of a particular country. And more and more we've moved into interdisciplinary studies, studies on resource issues, our oil study for example, one we made public. Many of our studies are made public. I guess we make public about 150 a year.

[Portion inaudible.]

We also have a system for evaluating the finish product....

MAN: This might be a good time to mention that on the table outside when you leave you will see examples of some of the publications that are made available by the CIA. And if you see a publication there that you would like to get a copy of, if you'll let Stormy (?) know or me, we can then do what we can to get additional copies of those publications for you.

MAN: Stormy, do you have a question?

MAN: That was my point. I forgot to make that announcement. Thanks for doing it.

[End of Q&A.]